

E-FILED on 5/22/08

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

VERIGY US, INC. ,

Plaintiff,

v.

ROMI OMAR MAYDER; WESLEY
MAYDER; SILICON TEST SYSTEMS, INC.;
and SILICON TEST SOLUTIONS, LLC,

Defendants.

No. C-07-04330 RMW

ORDER GRANTING PLAINTIFF'S MOTION
TO FIND DEFENDANTS IN CONTEMPT OF
COURT FOR VIOLATING THE TRO
(Corrected Redacted Version)

[Re Docket No. 132]

[CORRECTED PUBLIC VERSION]

On August 22, 2007, plaintiff Verigy US, Inc. ("Verigy") commenced this action against defendants Romi Mayder ("Mayder"), his brother Wesley Mayder, and the companies they founded, Silicon Test Systems Inc. and Silicon Test Solutions LLC ("STS"), seeking a temporary restraining order. The court granted Verigy's request, entering a temporary restraining order on August 24, 2007 ("TRO") which was to be in effect until the hearing on Verigy's motion for a preliminary injunction.

On December 3, 2008, before the preliminary motion had been heard, Verigy asked the court to issue an order to show cause why defendants should not be held in contempt for violating the

ORDER GRANTING PLAINTIFF'S MOTION TO FIND DEFENDANTS IN CONTEMPT OF COURT FOR VIOLATING THE TRO
(Corrected Redacted Version)—No. C-07-04330 RMW
MAG

1 TRO. Defendants asked the court to defer ruling on the contempt motion until after it had ruled on
2 the preliminary injunction motion. On February 29, 2008, as part of its order granting in part
3 Verigy's motion for a preliminary injunction, this court issued the requested order to show cause.

4 Verigy asserts that defendants have violated the TRO by continuing to develop STS's Flash
5 Enhancer product, by marketing and delivering Flash Enhancer chips to Intel, by downloading and
6 using one of the documents defined as Verigy's Trade Secret Property in the TRO, and by issuing a
7 purportedly misleading press release after the court's preliminary injunction order. As a sanction,
8 Verigy asks that the court (1) extend by 6 months the duration of the 5-month preliminary injunction
9 issued on February 29, 2008 and (2) award attorney's fees and costs for pursuing the motion for
10 contempt. As set forth below, the court finds that Verigy has shown by clear and convincing
11 evidence that defendants disobeyed the August 24, 2007 TRO and, accordingly, grants Verigy's
12 motion and finds defendants to be in contempt of the TRO.

13 I. BACKGROUND

14 A. Procedural History

15 On August 24, 2007, the court granted Verigy's application for a TRO until the hearing on
16 Verigy's motion for a preliminary injunction, which the court set for September 7, 2007. The parties
17 stipulated to move the hearing to October 19, 2007 and then again stipulated to move the hearing to
18 December 14, 2007, all the while keeping the TRO in effect. *See, e.g.*, Stipulation and Order,
19 Docket No. 86.

20 The TRO enjoined defendants from, among other things, "accessing, . . . disclosing, using,
21 marketing, disseminating, . . . , making any use of, [and/or] attempting to disclose or use" (1) any of
22 the Trade Secret Property enumerated in Exhibit A of the TRO; and (2) any product "developed with
23 the use of, derived from, or incorporating all or any part of Verigy's Trade Secret Property." The
24 Trade Secret Property as defined in Exhibit A to the TRO includes, in relevant part:

25 Inventions, designs, plans, know-how, research, techniques, proprietary or
26 confidential information, tools, processes, software, hardware, economics and/or
research and development relating to:

27 (a) The projects code-named: [REDACTED];

28 (b) The projects code-named by Mayder as [REDACTED];

...

(l) Verigy's non-public RFQs and associated documents;

(u) Exhibits A and B to the Lee Declaration submitted in support of Verigy's Application for a TRO; and

(v) Exhibits A, B, C, D, E, and F to the Pochowski Declaration submitted in support of Verigy's Application for a TRO.

TRO, Ex. A ¶ 1. Trade Secret Property also includes:

Inventions, designs, plans, know-how, research, techniques, proprietary or confidential information, tools, processes, software, hardware, economics and/or research and development relating to the [REDACTED] filed September 28, 2006 and any provisional patent applications, patent applications or patents claiming priority to [REDACTED]

Id. ¶ 5.

B. Alleged Violation of the TRO

From the beginning, defendants have taken the position that their current product, Flash Enhancer, was not based on nor did it evolve from any of the Trade Secret Property set forth in the TRO. They acknowledge that "STS continued to do independent work . . . to develop new features that its customers requested" but that "[t]his novel work did not require Verigy's alleged trade secrets or any access to Verigy's alleged trade secrets." Opp'n at 1.

On December 3, 2007, Verigy received an email from Mayder asking that Verigy sign a non-disclosure agreement with STS so that Verigy could work with Mayder, STS and Spansion to integrate STS's Flash Enhancer product with Verigy's v5400 product. Decl. Melinda Morton ("Morton Decl.") ¶ 3, Ex. A. Based thereupon, Verigy filed an application for an order to show cause why defendants should not be held in contempt for violating the court's TRO on December 5, 2007.

The parties appeared as scheduled on December 14, 2007 for a hearing on Verigy's motion for preliminary injunction. At that hearing, the parties agreed to continue the hearing (as well as the effect of the TRO) until January 15, 2008. The court indicated that it would resolve Verigy's request for an order to show cause as it was considering the parties' position on the motion for preliminary injunction. The parties appeared again on January 15, 2008 to present their positions regarding the issuance of a preliminary injunction. On February 29, 2008, the court issued its order on Verigy's

1 motion for preliminary injunction ("Preliminary Injunction Order"), granting Verigy's motion in part
 2 and enjoining defendants for 5 months from directly or indirectly marketing, distributing, selling,
 3 licensing, leasing, transferring or disposing of [REDACTED], Flash Enhancer or any product developed
 4 with the use of, derived from, or incorporating all or any part of [REDACTED] or Flash Enhancer. *Id.* at
 5 28.¹ In the same order, the court set a briefing schedule and hearing date for Verigy's contempt
 6 motion.

7 C. Preliminary Injunction Order

8 In its Preliminary Injunction Order, the court assessed Romi Mayder's conduct and the
 9 progression of his development efforts on behalf of STS before and after he left Verigy's employ.
 10 The court concluded that it was clear that Mayder had based STS's original project, code named
 11 [REDACTED] on the [REDACTED] project he had worked on at Verigy. Preliminary Injunction Order at 15-
 12 16. Analyzing defendants' argument that Flash Enhancer does not utilize Verigy's trade secrets, the
 13 court found that many features that defendants contended were solely related to their development
 14 efforts on behalf of Intel and directed toward Intel's unique customer requirements were present in
 15 the [REDACTED] documentation prior to defendants receiving Intel's customer requirements in November
 16 2006. *Id.* at 19-21. Although the court acknowledged that Flash Enhancer had some distinct
 17 features from [REDACTED], it stated "[t]hese features are unique, but appear to be enhancements built atop
 18 the foundation that was based originally on [REDACTED]
 19 [REDACTED]. With respect to defendants' argument that Flash Enhancer was
 20 directed toward NOR flash memory testing while [REDACTED] and [REDACTED] were related to NAND
 21 flash memory testing, the court likewise concluded, "even to the extent there are features in the
 22

23
 24 ¹ The portion of the Preliminary Injunction Order setting forth the enjoined acts reads as follows:
 25 Defendants ROMI OMAR MAYDER ("Mayder"), WESLEY MAYDER, SILICON
 26 TEST SYSTEMS, INC. and SILICON TEST SOLUTIONS, LLC (the "STS
 27 Entities") as well as their agents, servants, employees, attorneys, and any other
 28 persons in active concert or participation with them who receive actual notice of this
 Preliminary Injunction Order, by personal service or otherwise, are hereby restrained
 and enjoined for a period of five (5) months from the date of this order from directly
 or indirectly marketing, distributing, selling, licensing, leasing, transferring or
 disposing of [REDACTED], Flash Enhancer, or any product developed with the use of,
 derived from, or incorporating all or any part of [REDACTED] or Flash Enhancer.

Flash Enhancer that may be attributable to the differences between NOR and NAND, there is no question that the STS Flash Enhancer is an evolution of the [REDACTED], which was itself based on [REDACTED] and developed at least in part by Mayder while he was at Verigy. *Id.* at 23.

Overall, the court concluded its analysis as follows:

Based upon the evidence before it, the court concludes that STS's [REDACTED] product was based upon the [REDACTED]. As set forth above, Mayder admits to having used the [REDACTED]. Further, he submitted the [REDACTED], a vendor with whom he was familiar because of his work at Verigy on [REDACTED]. The [REDACTED] misappropriation of the [REDACTED] combined with the exploitation of Verigy's [REDACTED] resulted in defendants obtaining a head start in developing their fan-out testing solutions [REDACTED] and Flash Enhancer.

On the evidence presented, the court further concludes that Flash Enhancer, even though now directed toward testing NOR memory rather than NAND, is substantially based upon Verigy's trade secrets. It is clear that defendants' current product, Flash Enhancer, is, at the very least, [REDACTED]. It appears, however, that Flash Enhancer has some relatively significant changes from [REDACTED], including [REDACTED] and some features added based on customer requirements that were not originally collected by Verigy. Accordingly, the court cannot say that Flash Enhancer is solely an embodiment of Verigy's trade secrets. However, Flash Enhancer product clearly benefitted from the lead time that Mayder did not have to expend to get to the starting point represented [REDACTED]. Further, by having the customer requirements Verigy collected from [REDACTED] in hand when approaching Intel and Spansion, it appears that defendants may have had an unwarranted competitive advantage. Understanding the requirements of other vendors may have permitted defendants to make a more convincing presentation to STS customers and thus win business they might not have been able to secure had they started without the information obtained from Verigy.

Id. at 23-24.

II. ANALYSIS

Civil contempt "consists of a party's disobedience to a specific and definite court order by failure to take all reasonable steps within the party's power to comply." *In re Dual-Deck Video Cassette Recorder Antitrust Litigation*, 10 F.3d 693, 695 (9th Cir. 1993); *see also Gen. Signal Corp. v. Donallco, Inc.*, 787 F.2d 1376, 1379 (9th Cir. 1986) ("Civil contempt occurs when a party fails to comply with a court order."). "The standard for finding a party in civil contempt is well settled: The moving party has the burden of showing by clear and convincing evidence that the [nonmoving

party] violated a specific and definite order of the court." *FTC v. Affordable Media, LLC*, 179 F.3d 1228, 1239 (9th Cir. 1999) (quoting *Stone v. City & County of San Francisco*, 968 F.2d 850, 856 n.9 (9th Cir. 1992)). The contempt "need not be willful," and there is no good faith exception to the requirement to obey a court order. *In re Crystal Palace Gambling Hall, Inc.*, 817 F.2d 1361, 1365 (9th Cir. 1987). "But a person should not be held in contempt if his action appears to be based on a good faith and reasonable interpretation of the court's order." *Dual-Deck*, 10 F.3d at 695; (party seeking sanctions must show (1) a violation of the order, (2) beyond substantial compliance, (3) not based on a good faith and reasonable interpretation of the order, (4) by clear and convincing evidence). In this case, Verigy must prove by clear and convincing evidence that defendants violated the TRO by continuing to develop new features for the Flash Enhancer after the court issued its TRO.

A. Specific and Definite Court Order

Defendants contend that the TRO entered by the court was ambiguous. Defendants challenge the TRO as having been entered in violation of Rule 65, which requires that "[e]very order granting an injunction and every restraining order must: (A) state the reasons why it issued; (B) state its terms specifically; and (C) describe in reasonable detail – and not by referring to the complaint or other document – the act or acts restrained or required." Fed. R. Civ. P. 65(d). Specifically, defendants assert that the TRO violated Rule 65(d)(C) by referring to rather than incorporating [REDACTED], exhibits A and B to the Lee declaration, and exhibits A, B, C, D, E, and F to the Pochowski declaration submitted in support of Verigy's application for a TRO.

The court's reference to these documents does not violate Rule 65(d). "[O]ne basic principle built into Rule 65 is that those against whom an injunction is issued should receive fair and precisely drawn notice of what the injunction actually prohibits." *Fortyune v. Am. Multi-Cinema, Inc.*, 364 F.3d 1075, 1086-87 (9th Cir. 2004) (quoting *Union Pac. R.R. v. Mower*, 219 F.3d 1069, 1077 (9th Cir. 2000)). "The Rule was designed to prevent uncertainty and confusion on the part of those faced with injunctive orders, and to avoid the possible founding of a contempt citation on a decree too vague to be understood." *Id.* (quoting *Schmidt v. Lessard*, 414 U.S. 473, 476 (1974)). Thus,

ORDER GRANTING PLAINTIFF'S MOTION TO FIND DEFENDANTS IN CONTEMPT OF COURT FOR VIOLATING THE TRO (Corrected Redacted Version)—No. C-07-04330 RMW

MAG

1 although the requirements set forth in Rule 65(d) are not merely technical requirements, the Ninth
2 Circuit has stated that it "will not set aside injunctions under Rule 65(d) unless they are so vague
3 that they have no reasonably specific meaning." *Id.* (quoting *United States v. V-I Oil Co.*, 63 F.3d
4 909, 913 (9th Cir. 1995)) (quotation marks omitted).

5 "Specificity in the terms of consent decrees is a predicate to a finding of contempt." *Gates v.*
6 *Shinn*, 98 F.3d 463, 467-68 (9th Cir. 1996). "If an injunction does not clearly describe prohibited or
7 required conduct, it is not enforceable by contempt." *Id.* Here, the TRO satisfies the specificity
8 requirements of Rule 65. The TRO describes in detail the acts to be restrained. It clearly prevents
9 defendants from "accessing, . . . disclosing, using, marketing, disseminating, . . . , making any use
10 of, [and/or] attempting to disclose or use" any of the Verigy's Trade Secret Property or any product
11 "developed with the use of, derived from, or incorporating all or any part of Verigy's Trade Secret
12 Property." The restricted Trade Secret Property is clearly defined in Exhibit A attached to the TRO
13 and expressly includes the Lee and Pochowski exhibits as well as the provisional patent application.
14 Defendants were given clear notice of which particular documents constituted Verigy's Trade Secret
15 Property for purposes of the TRO and what actions they were prohibited from taking with regard to
16 the Trade Secret Property. And, although those documents are not included in the four corners of
17 the TRO, the prohibited acts are clearly spelled out to defendants in the TRO itself: they are not to
18 access, disclose, use, market or disseminate the unambiguously defined items of Trade Secret
19 Property in Exhibits A and B to the Lee Declaration and Exhibits A-E of the Pochowski Declaration
20 or any product developed with the use of, derived from or incorporating those exhibits. The TRO
21 thus provides "fair and precisely drawn notice of what the injunction actually prohibits." *Granny*
22 *Goose*, 415 U.S. at 444.

23 **B. Violation of the Order**

24 As discussed above, a party seeking sanctions must show (1) a violation of the order, (2)
25 beyond substantial compliance, (3) not based on a good faith and reasonable interpretation of the
26 order, (4) by clear and convincing evidence. *Dual-Deck*, 10 F.3d at 695. Thus, the next question is
27 whether Verigy can show by clear and convincing evidence defendants' actions during the pendency
28 of the TRO constituted a violation of the order.

1 The TRO, in relevant part, enjoined defendants from "accessing, altering, downloading,
2 copying, forwarding, disclosing, using, marketing, disseminating, selling, licensing, leasing,
3 transferring, making any use of, attempting to disclose or use, or disposing of any product developed
4 with the use of, derived from, or incorporating all or any part of Verigy's Trade Secret Property"
5 where "Trade Secret Property" included Exhibit A to the Lee Declaration, an email submitting an
6 RFQ package to [REDACTED], which included the [REDACTED] drafted by
7 Mayder while he was employed by Verigy. "Trade Secret Property" also included Exhibit B to the
8 Pochowski Declaration, which included an email from Mayder to Pochowski attaching "the official
9 RFQ for the [REDACTED]" for Pochowski to send to Peregrine Semiconductor "to get things started
10 with them." Pochowski Decl., Ex. B. Attached to this email is the [REDACTED] that
11 the court found to have been derived from the [REDACTED]. *Id.* Also included in the Trade
12 Secret Property was Exhibit D to the Pochowski Declaration, the [REDACTED]
13 customer requirements that Mayder transmitted to Pochowski on June 26, 2006 while Mayder was
14 still employed by Verigy. *Id.*, Ex. D.

15 1. Continued Development

16 Defendants assert that they complied with the TRO because they did not sell any product
17 after August 24, 2007, refraining from fulfilling a purchase order for Flash Enhancer chips from
18 Spansion (although they believed that the TRO did not prohibit them from selling Flash Enhancer).
19 Opp'n at 5. They have admitted, however, that they continued to work on Flash Enhancer after the
20 entry of the TRO. Verigy asserts that defendants' continued work after August 24, 2007 constitutes
21 a violation of the TRO. Defendants, on the other hand, contend that they have complied with the
22 order as they understood it. They assert that "[e]ven if STS's Flash Enhancer product contains some
23 Verigy trade secrets, [REDACTED]

24 [REDACTED]
25 [REDACTED] Opp'n at 3. Defendants point out
26 that they did not have possession of any relevant Verigy documents as a result of Mayder having
27 reinstalled the operating system on his laptop and wiping out any documents that may have
28 originated at Verigy. *Id.* They further contend that any customer requirements with which they

1 continued their development on Flash Enhancer were customer requirements STS obtained directly
2 from [REDACTED], not those obtained through Verigy. *Id.* at 4. Accordingly, defendants
3 believe that STS's work during the last six months was not a "use" of Verigy's trade secrets and did
4 not rely on access to Verigy's trade secrets.

5 Defendants acknowledge, as they must, that the court has found that STS's Flash Enhancer
6 product is based on substantial part on Verigy's trade secrets and materials developed by Mayder
7 while he was in Verigy's employ. They nonetheless assert that their interpretation of the TRO
8 permitting them to continue to develop and work with their customers on Flash Enhancer was a
9 reasonable one, particularly absent the court's analysis later set forth in the Preliminary Injunction
10 Order. The court disagrees and finds that defendants' position conveniently ignores that they were
11 not only enjoined from using Verigy's Trade Secret Property as defined in the TRO, but also
12 products developed using such Trade Secret Property.

13 Defendants were enjoined from "using [or] making any use of . . . any product developed
14 with the use of, derived from, or incorporating all or any part of Verigy's Trade Secret Property."
15 The Background section of the TRO set forth that one of the issues in the suit was that "Mayder had
16 started developing a competing product to the one Mayder was working on at Verigy" and that "the
17 products advertised on the Silicon Test Systems website at www.silicontests.com appear to perform
18 the same functions as Verigy's [REDACTED] product designs and the [REDACTED]
19 currently in production." TRO at 5. Although defendants have taken the position that Flash
20 Enhancer is not based on [REDACTED], as set forth above, the court's preliminary
21 injunction order found otherwise, stating "that Flash Enhancer, even though now directed toward
22 testing NOR memory rather than NAND, is substantially based upon Verigy's trade secrets. It is
23 clear that defendants' current product, Flash Enhancer, is, at the very least, [REDACTED]
24 [REDACTED]." Preliminary Injunction Order at 24. Defendants
25 nevertheless assert that their interpretation of the TRO was based upon a good faith belief that they
26 were not using Verigy's Trade Secret Property in the Flash Enhancer and that they would only
27 violate the TRO if they began to incorporate the Trade Secret Property specified into their current
28 products.

1 In support of their argument that they were acting in good faith, defendants submit a
 2 declaration by Mayder stating that he interviewed Dr. Richard Blanchard (who was subsequently
 3 retained as defendants' expert), who provided him with essentially the same opinion as Blanchard
 4 has expressed in his expert reports: that Flash Enhancer did not contain any Verigy trade secrets.²
 5 This assertion rings hollow, particularly given that Mayder's declaration does not assert that he had a
 6 good faith belief that the Flash Enhancer product was not a product developed with the use of or
 7 derived from Verigy's Trade Secret Property as defined in the TRO. Further, Mayder has
 8 unequivocally admitted to using the [REDACTED] documents to create the [REDACTED] RFQ. Defendants'
 9 position that they had a good faith belief that Flash Enhancer was not a product developed with the
 10 use of or derived from the specified Trade Secret Property is unavailing. The court finds that Verigy
 11 has shown by clear and convincing evidence that defendants violated the order by continuing to
 12 develop Flash Enhancer during the effective period of the TRO and that this continued development
 13 was not in substantial compliance, nor was their continuation of development efforts undertaken
 14 based on a good faith and reasonable interpretation of the order.

15 2. Interactions with Intel

16 In support of its motion and after the court issued its order to show cause, Verigy submitted a
 17 declaration setting forth evidence discovered after it filed its original application for an order to
 18 show cause on December 3, 2007. *See* Decl. Michael Stebbins ("Stebbins Decl.") dated March 7,
 19 2008. Verigy presents evidence that Mayder met with Intel on behalf of STS in November 2007,
 20 after the TRO issued. Stebbins Decl., Ex. A. It also presents deposition testimony of David
 21 McMann, the 30(b)(6) designee for Intel Corporation (one of STS's customers), in which McMann
 22 testifies that Mayder never told Intel that Verigy had accused defendants of misappropriating trade
 23 secrets, that he did not inform Intel that there was a TRO in this action and that Mayder at some

24 _____
 25 ² Verigy objects to Mayder's declaration as including impermissible opinion and hearsay with
 26 regard to Dr. Blanchard's opinion. Mayder's declaration states that "After his review of the
 27 documents and a substantial discussion of my knowledge of the facts, Dr. Blanchard's objective
 28 opinion was that Flash Enhancer contained no trade secrets." Decl. Romi Mayder ("Mayder Decl.")
 ¶ 7. The court agrees that the contents of this paragraph cannot be considered for Dr. Blanchard's
 opinion, but it will consider the statement to the extent it purports to support Mayder's understanding
 of the TRO.

1 point delivered Flash Enhancer prototypes to Intel. Stebbins Decl., Ex. 2, Dep. of David McMann
2 ("McMann Dep.") at 22:1-9, 42:5-13, 35:18-21, 35:22-24.

3 Although Verigy has presented evidence that defendants met with Intel following the
4 issuance of the TRO, and the court could reasonably infer that the interactions described by Mr.
5 McMann occurred during November 2007, Verigy has failed to present *clear and convincing*
6 evidence that this is the case. McMann's deposition testimony as presented does not establish the
7 time frame pertaining to his testimony and thus does not suffice to demonstrate that defendants were
8 marketing Flash Enhancer to Intel after the TRO was issued or that Intel received prototypes of the
9 Flash Enhancer product after August 24, 2007.

10 3. Access to Exhibit A of the Lee Declaration

11 Verigy alleges that Mayder deliberately accessed and used an electronic copy of Exhibit A to
12 the Lee Declaration after the litigation commenced at the offices of Chris Straube, Honeywell's sales
13 representative. See Reply at 6. Defendants do not refute that Mayder downloaded the document as
14 alleged, but argue that this cannot constitute a violation of the TRO. According to defendants,
15 Verigy waived the benefit of the TRO with respect to this document when Verigy's counsel
16 "downgraded its confidentiality designation of many documents from 'Highly Confidential' to
17 'Confidential,'" thereby permitting Mayder to access documents.

18 Although defendants present evidence that Verigy did, indeed, redesignate the Exhibit A as
19 "confidential," there is no authority supporting the proposition that such a redesignation would
20 permit Mayder to access a redesignated document for all purposes. Even assuming that the
21 redesignation would somehow permit Mayder to access the document for litigation purposes,
22 defendants present no evidence that Mayder accessed this document for litigation purposes.
23 However, Verigy presents no evidence for what purpose the document was accessed. Absent further
24 information, the court does not find by clear and convincing evidence that Mayder's accessing
25 Exhibit A to the Lee was more than a technical violation of the TRO.

1 **4. Post-TRO Behavior**

2 Verigy also submits for the court's consideration a press release issued by STS regarding the
3 disposition of Verigy's request for a preliminary injunction. The press release entitled "US Court
4 Denies Injunction Sought by Verigy" reads in relevant part:

5 Verigy . . . was denied a preliminary injunction prohibiting defendants Romi Omar
6 Mayder, Wesley Mayder, Silicon Test Systems, Inc. and Silicon Test Solutions, LLC
7 from bringing STS products to the ATE market. Specifically [sic] the US court found
that Romi Mayder could have developed STS products without exposure [sic] Verigy
trade secrets.

8 Reply Decl. Michael Stebbins, Ex. 5. Verigy argues that the press release demonstrates defendants'
9 deliberate misinterpretation of this court's orders and, further, constitutes "direct or indirect
10 marketing" of the Flash Enhancer in violation of the February 29, 2008 Preliminary Injunction
11 Order.

12 Defendants complain that the press release was only brought up in Verigy's reply and,
13 therefore, they did not have the opportunity to put it in context. Nevertheless, the court does not
14 see how this release could be viewed as other than as a deliberately misleading statement as to what
15 the court ordered. It certainly causes the court to question defendants' intent to comply with the
16 TRO and appears to be indirect marketing of STS's products. However, the release does not directly
17 advertise nor does it show use of Verigy's confidential information.

18 **C. Sanctions**

19 Defendants argue that this court lacks authority to grant injunctive relief for contempt,
20 arguing that 18 U.S.C. § 401 limits the court to "fine or imprisonment, or both." They further argue
21 that any injunctive relief would be punitive because the TRO is no longer in effect.

22 The court's authority to impose a remedy for contempt is part of its inherent powers. "Unlike
23 most areas of law, where a legislature defines both the sanctionable conduct and the penalty to be
24 imposed, civil contempt proceedings leave the offended judge solely responsible for identifying,
25 prosecuting, adjudicating, and sanctioning the contumacious conduct." *Int'l Union v. Bagwell*, 512
26 U.S. 821, 831 (1994). Any award of sanctions to Verigy must be compensatory and limited to its
27 "actual loss" for "injuries which result from the noncompliance." *Crystal Palace*, 817 F.2d at 1366
28 (quoting *Falstaff Brewing Corp. v. Miller Brewing Co.*, 702 F.2d 770, 778 (9th Cir. 1983)); cf

1 *Bagwell*, 512 at 834. Those sanctions are not, however, necessarily limited to fines or
 2 imprisonment. *See, e.g., McComb v. Jacksonville Paper Co.*, 336 U.S. 187, 193-94 (1949) ("The
 3 measure of the court's power in civil contempt proceedings is determined by the requirements of full
 4 remedial relief. They may entail the doing of a variety of acts, such as the production of books.").

5 Here, it would appear that defendants' non-compliance with the TRO resulted in their
 6 continued ability to develop and enhance the Flash Enhancer product to comply with STS's
 7 customers' requirements. Defendants' violation of the TRO permitted them to alter the *status quo*
 8 that the TRO was designed to preserve and resulted in additional marketing and development time
 9 for Flash Enhancer – time they would not have had if they had obeyed the TRO. Accordingly, the
 10 court finds that an appropriate sanction is extending the duration of the preliminary injunction for an
 11 additional four (4) months from the date of the Preliminary Injunction Order. The court thus
 12 modifies its February 29, 2008 Preliminary Injunction Order by replacing paragraph 1 of the order
 13 as follows:

14 Defendants ROMI OMAR MAYDER ("Mayder"), WESLEY MAYDER, SILICON
 15 TEST SYSTEMS, INC. and SILICON TEST SOLUTIONS, LLC (the "STS
 16 Entities") as well as their agents, servants, employees, attorneys, and any other
 17 persons in active concert or participation with them who receive actual notice of this
 18 Preliminary Injunction Order, by personal service or otherwise, are hereby restrained
 19 and enjoined for a period of nine (9) months from the date of this order from directly
 20 or indirectly marketing, distributing, selling, licensing, leasing, transferring or
 21 disposing of [REDACTED], Flash Enhancer, or any product developed with the use of,
 22 derived from, or incorporating all or any part of [REDACTED] or Flash Enhancer.

23 The court also finds that the extension of the duration of the preliminary injunction order for
 24 four months, together with Verigy's request for attorney's fees in connection with the current
 25 contempt proceedings, satisfactorily compensates Verigy for its injuries resulting from defendants'
 26 non-compliance with the TRO.

27 III. ORDER

28 For the reasons set forth above, the court finds defendants ROMI OMAR MAYDER,
 WESLEY MAYDER, SILICON TEST SYSTEMS, INC. and SILICON TEST SOLUTIONS, LLC
 to be in contempt of its August 24, 2007 temporary restraining order for continuing to develop its
 Flash Enhancer product, which the court has found to be substantially based upon Verigy's trade
 secrets because it is an evolution of the [REDACTED] that was based on Mayder's work on the


ORDER GRANTING PLAINTIFF'S MOTION TO FIND DEFENDANTS IN CONTEMPT OF COURT FOR VIOLATING THE TRO
 (Corrected Redacted Version)—No. C-07-04330 RMW

MAG

1 [REDACTED] project while he was employed by Verigy. As set forth above, the court extends the
2 duration of the preliminary injunction issued on February 29, 2008 as a sanction for such contempt.

3 Verigy is also entitled to its reasonable attorney's fees expended in conjunction with its
4 motion to find defendants in contempt. Within 20 days of this order, Verigy shall inform the court
5 of the amount it requests in briefing not to exceed 5 pages, along with a declaration and
6 documentation supporting such request. If defendants contest the amount requested, they may
7 submit a response of no more than 3 pages within 5 days of Verigy's submittal of the requested
8 information.

9
10
11 DATED: 5/20/08


RONALD M. WHYTE
United States District Judge

1 Notice of this document has been electronically sent to:

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12 Dated: 5/22/08

12 /s/ MAG
13 Chambers of Judge Whyte